



LCC Schools Finance Handbook

Section I :

Budget
Monitoring /
Management

February 2026

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SECTION I1: Introduction to Budget Management

11.1 The Purpose of Budget Management

Budget management requires expenditure (and income) to be monitored and compared with the agreed budget throughout the financial year to ensure that actual expenditure (less income) is contained within the budget available. Critically it involves the need for any corrective action to be identified and resultant decisions to be implemented.

11.2 The Role of the County Council

The role of the County Council in budget management is:-

- a) To offer access to a financial management system that enables schools to produce monitoring reports showing actual expenditure and income, alongside comparisons to budget
- b) to offer schools financial planning software to support them to develop a realistic medium term finance plan (MTFP)
- c) to monitor school financial performance to ensure that serious budget management issues are avoided
- d) to provide support for the Headteacher and school finance staff through the provision of advice, support and training
- e) to provide a policy framework: a Monitoring & Intervention Policy is available on Perspective Lite:

LA Documents > Schools Finance Team > Policies

- f) to support an improvement in financial management standards, an Accountability Framework has been created which sets out the expectations placed on Schools, together with the support they can expect to receive from their finance business partners within the Schools Finance Team: This Framework is available on Perspective Lite:

LA Documents > Schools Finance Team > Policies

11.3 The Role of the Headteacher

The role of the Headteacher, supported by senior staff, is:-

- a) to monitor actual expenditure and income, making use of data from the finance system and ensuring the MTFP is kept up to date
- b) to produce reports for the Governing Body, comparing actual expenditure and income with the agreed budget. In addition a forecast should be produced which identifies the need for any corrective action and recommendations should be made to the governing body as required
- c) to use benchmarking data to compare income and expenditure with similar schools (by type, size and pupil characteristics). This can help identify opportunities to reduce costs or increase income
- d) identify any necessary corrective actions based on financial performance and implement appropriate measures and update the finance system and MTFP
- e) make informed recommendations to the governing body, including proposed virements and scenario planning. Scenario planning should clearly outline the financial and curriculum-related advantages and disadvantages of each option
- f) ensure that any virements approved by the governing body are accurately entered into the finance system

11.4 The Role of the Governing Body

The School Standards and Framework Act 1998 requires the management of a school's budget share to be delegated to the school's governing body.

The governing body is entitled, subject to any provisions made under the Scheme for Financing Schools, to spend any sum made available to it in respect of the school's budget share for any financial year as it thinks fit for the purposes of the school.

The governing body may delegate any of the responsibilities for financial matters to either a Finance Committee or the Headteacher, whilst retaining overall responsibility for the proper exercise of its duties. The roles and responsibilities of all parties should be set out in writing, be formally agreed by the full governing body and reviewed annually. This should include:

- a) to ensure that the School has a finance policy setting out roles and responsibilities in relation to Finance (see Section A).
- b) to determine, by special resolution of the governing body, the extent to which budget management should be delegated to a Committee established by the Governors and to the Headteacher.

- c) to approve the school's annual budget and submit the MTFP to the LA by the published deadline date.
- d) to consider the frequency and level of detail of budget management reports to the governing body.
- e) to approve any action necessary to ensure that actual expenditure and income stay within the agreed budget, including consideration of the scenarios presented and the associated financial and educational impact
- f) to approve virements i.e. budget transfers between individual budget headings. It is the responsibility of the Governing Body to determine the financial limit at which transfers need to be approved by the full governing body (rather than the Finance Committee or Headteacher). The County Council recommends a limit of £5,000.
- g) regularly monitor actual and forecast income and expenditure against the approved budget
- h) seek prior approval from the LA before any planned overspend
- i) consider the content, format and frequency of financial monitoring reports for the Finance Committee and Full Governing Body.
- j) review County Council audit reports and implement recommendations where possible
- k) completion of the Schools Financial Value Standard (SFVS) by the published timescales
- l) adhere to the County Council's financial regulations and procedures
- m) agree the transaction authorisation limit
- n) establish the school's charging policy
- o) ensure compliance with the County Council's Scheme for Financing Schools as approved by the Secretary of State
- p) to oversee the appropriate use of the School Fund and ensure it is audited each year

SECTION 12: Finance Reports

12.1 Introduction

Governing Bodies are responsible for managing the school's budget, ensuring that expenditure (less income) remains within the resources available. Regular budget monitoring, comparing actual income and expenditure with the agreed budget, is essential to meeting this responsibility and is normally carried out by the Headteacher and school finance staff.

Monitoring should begin at the start of the financial year and continue throughout, ensuring:

- a) financial performance aligns with the approved annual budget
- b) spending supports the priorities set out in the School Development Plan
- c) accurate forecasting and financial planning
- d) early identification of risks and corrective actions
- e) compliance with funding conditions and policies
- f) transparency and accountability for Governors and stakeholders

Schools should use the reporting tools available within their chosen finance system to monitor actual income and expenditure. These reports provide the most up-to-date financial position for management and governance purposes.

12.2 Reports available for Schools

Schools must have access to several standard reports within their finance system to support regular budget monitoring. While report names and formats may vary slightly between systems, equivalent information should always be available.

As a minimum, the following types of reports should be run monthly:

1. **Budget Monitoring Summary Report (Actual / Budget / Forecast)**

This report should provide, for each budget line:

- actual income and expenditure
- original and revised budget allocations
- any in-year adjustments
- variances (actual vs revised budget)
- percentage spent
- forecast outturn
- forecast variances (over/underspend)
- subtotals by category (e.g. CFR headings)

This is typically the main report used for Governing Body reporting.

The system must provide reporting that distinguishes clearly between core budget share and grant funding, ensuring that each can be monitored independently

2. Departmental Summary Report

This report should show:

- actual expenditure and income by department at account code level
- budget
- remaining available budget

Schools use departmental structures differently. For example:

- some may allocate budgets by curriculum area, year group or class
- others may use only a small number of departments (e.g. Whole School, Staffing, Grants)

Schools should use departmental groups in a way that best supports their internal budget management practices.

3. Detailed Transaction Report

This provides a line-by-line list of all income and expenditure postings. It is essential for:

- a) identifying miscoding
- b) reviewing supplier payments
- c) checking recurring transactions
- d) investigating unexpected variances
- e) monitoring of income and funding received

The report can usually be exported to Excel for filtering and analysis.

This report should be reviewed regularly (at least monthly) to ensure accuracy of financial data.

4. Employee Cost Report

This report provides detailed staffing expenditure by cost centre, department and account code. It is a key part of financial monitoring because staffing is the school's largest area of spend.

The report should be run monthly and reconciled to:

- a) planned staffing costs
- b) commitments in the MTFP

This helps schools identify missing entries, coding errors, or variances arising from recruitment or contractual changes.

5. Other Reports

- **Establishment Report** – showing filled positions and vacancies, including contracted hours, grades and any other relevant staffing details.
- **Commitments Report** – showing open purchase orders and outstanding commitments.
- **Aged Debt Report** – showing outstanding invoices raised by the school. Schools must actively monitor and manage outstanding debts to minimise financial impact and support budget integrity. Unpaid debts will directly impact the school’s budget.

SECTION 13: Budget Monitoring / Forecasts

13.1 Introduction

Effective budget management relies on the regular comparison of actual and forecast income and expenditure against the latest budget. Monitoring should begin at the start of the financial year and continue on a frequent basis so that any emerging issues are identified early enough for corrective action to be effective.

Regular budget monitoring enables schools to identify potential under or overspends and ensures that financial resources are being used in line with the annual budget and the priorities set out in the School Development Plan.

13.2 The Monitoring Process

Schools should review financial reports that compare actual income and expenditure with the current budget. (See section 12 for further information).

Reviewing only the current position can be misleading. For example, a budget that shows 50% spent after six months may appear on track, but may not reflect:

- commitments already made for the remainder of the year
- staffing changes or pay awards
- other anticipated costs not yet processed

To provide a robust picture of the school's financial position, schools should complete a full forecast for each budget line at least three times per year, typically:

- June / July
- September / October
- January

13.3 Forecasting

A forecast is an estimate of the total income and expenditure expected for the full financial year. Comparing the forecasted outturn to the revised budget is essential, as it enables the school to identify its likely year-end carry forward. Schools are not permitted to overspend their budget; therefore, accurate and regular forecasting is a key tool for preventing financial deficit positions.

The forecasting process is a vital method of reporting on the most up to date position. It is similar to that used when preparing the annual budget, but incorporates:

- a) actual expenditure and income recorded to date
- b) known commitments
- c) staffing changes
- d) anticipated pay awards or increments
- e) unexpected or unplanned costs

Staff salary forecasts should be prepared on an individual basis, taking into account:

- a) expenditure incurred to date
- b) projected monthly costs for the rest of the year
- c) expected increments or pay awards
- d) any planned staffing changes

Non-staff costs and income should be forecast by:

- a) reviewing expenditure and income to date
- b) taking account of current commitments
- c) estimating the likely level of activity for the remainder of the financial year

Once updated forecasts have been calculated, they should be compared to the current budget to produce projected over or underspends. These forecasts must then be recorded within the school's finance system to ensure an up-to-date and accurate financial position.

Identifying the estimated carry forward in advance of the end of the financial year allows the Headteacher and Governing body to make informed decisions regarding potential over / underspends and how they might be addressed.

Forecasts should be calculated for all school expenditure and income including that funded by government grants.

Each school should use the reporting tools available within its chosen finance system to support the forecasting process. These will typically include:

- a) reports summarising actuals, budgets and revised forecasts
- b) staffing cost reports
- c) commitment and detailed transaction reports

Equivalent reports should be available within any compliant school finance system and should be used to update the school's finance plan accordingly.

A forecasting template and accompanying guidance are issued annually and can be located on Perspective Lite:

LA Documents > Schools Finance Team > Budget Setting 20XX-XX > Forecast Upload Template and Guidance

SECTION I4: Report to the Governing Body

I4.1 Introduction

The governing body is responsible for overseeing and managing the school's budget. To fulfil this responsibility, it must receive clear and accurate financial information that includes both the current position and the forecasted year-end outcome.

The financial report provided to the governing body should enable Governors to:

- a) Understand the overall financial position – comparing total forecasted expenditure and income against the approved budget, clearly distinguishing between budget share funding and grant funding, and identifying the expected carry-forward balance
- b) Approve any necessary corrective action – including actions to reduce expenditure, increase income, or plan for the use of any forecasted underspend
- c) Approve changes to individual budgets – including virements where budget is moved between account codes or cost centres. For example, reallocating contingency funding to ICT hardware if this supports educational improvement.

Note: Virements should not be used simply to offset overspends by reducing underspends elsewhere. The forecasting process should identify individual variances and the reasons behind them.

Financial information should be sent to Governors electronically and in a secure manner, using password protection where appropriate. Documents should normally be issued at least one week prior to the meeting to allow time for review and questions

I4.2 Medium Term Finance Plan

The MTFP must be kept up to date throughout the year and updated in advance of every Finance Committee meeting. This ensures that Governors are reviewing and making decisions based on the most accurate and current financial information available.

Where the MTFP is held within a financial management software package system rather than in a standalone document, Governors should receive the relevant reports generated from that system. These reports must present all information necessary for Governors to understand the school's projected financial position and to discharge their budget-monitoring responsibilities

The reports provided to Governors should set out:

- a) the latest forecast position for each funding stream (including core budget share and all government grants).

- b) the projected year-end position and estimated carry-forward for each funding stream.
- c) any known financial risks, pressures, or changes since the previous report.

Forecasts should be prepared around two weeks before the Governors meetings and issued to Governors at least one week in advance to allow sufficient time for review.

14.3 Supporting Written Report

A written report should accompany the MTFP to provide Governors with clear explanations and context. As a minimum, it should include:

- a) Summary of resources – total budget share, grant funding and carry-forward balances.
- b) Explanation of significant variances – highlighting material differences in income or expenditure and the reasons for those variances compared with the approved budget.
- c) Proposed virements – detailing any budget adjustments required.
- d) Options for corrective action – outlining recommendations and associated implications for pupils, staffing, curriculum and overall financial position.

It is recommended that access to the school's finance system is available during the meetings to enable Governor questions relating to reports and associated data to be answered.

Following the meeting, the Headteacher must ensure that any approved virements or adjustments are processed in the school's finance system to maintain accurate financial records.

An example reporting format is provided in Section 14.4.

14.4 Governors Report Example

MEETING OF THE GOVERNING BODY OF XXXXXXX SCHOOL ON XX XXXXX 20XX

SUBJECT: Budget Monitoring Report – Based on expenditure to XX Xxxxx 20XX
REPORT BY: The Headteacher
DATE: XX Xxxxx 20XX

1. INTRODUCTION

The purpose of this report is to update the Governing Body on the school's current budget position and forecast outturn for the 20XX/XX financial year, and to seek Governors' approval for any actions required.

2. CURRENTLY APPROVED BUDGET FOR 20XX/XX

Governors will recall that the original budget for 20XX/XX was approved at the Governing Body meeting on XX Xxxxx 20XX. The original budget is shown in Column G of Appendix 1.

The current budget is set out below and is shown in column ? of Appendix 1:

20XX/XX Budget	£
Original budget approved by the Governing Body on XX Xxxxx 20XX	
Carry Forward	
Current Budget	

3. FORECAST

Appendix 1 shows the latest forecast for the financial year using the Budget Monitoring Summary Report from the Finance system.

Below is a description of the report columns used in Appendix 1:

Column	Heading	Description
A	Cfr2	CFR category assigned to the account code
B	Cfr2(T)	Description of the CFR category
C	Account	Account code to which expenditure / income has been coded to.
D	Account (T)	Description of the account code
E	Costc	School Cost Centre expenditure / income has been coded to.
F	Actuals	Income/expenditure recorded to date
G	Original Budget	Original budget approved by Governors at the start of the Financial Year.

Column	Heading	Description
H	Virement	Budget changes approved and processed.
I	Revised Budget	Original budget plus virements
J	Variance	Revised budget less actual expenditure / income.
K	% Spent	Actuals as a percentage of revised budget
L	Forecast	Expected total income/expenditure for the full year
M	Forecast Variance	Projected over/underspend based on forecast

Note

The order of the above columns may vary depending on how the school has configured its financial reporting tools

Where significant under or overspendings have been forecast explanations are provided in Appendix 2

4. SUMMARY

The Governors will note Appendix 1 indicates a forecast under/overspend of £XX,XXX for the current financial year

The estimated / actual under / overspend carried forward from 20XX/XX is £XX,XXX. The amount of carry forward will be / was notified to the school in July 20XX.

The estimated carry forward is included in the contingency budget figure shown in Appendix 1.

Appendix 2 provides detailed information on how the forecast for teaching staff, support staff, and other income/expenditure has been calculated, together with explanations for variances

5. PROPOSALS

Given the forecast position, the Governors are asked to consider the proposals set out in Appendix 4.

Governors should note that the forecast may change during the year due to unforeseen circumstances. However, the proposed actions are considered prudent and would result in an estimated carry forward of £XX,XXX at the end of the financial year.

6. GOVERNMENT GRANTS

Appendix 5 presents the latest forecasts for each government grant.

Appendix 6 summarises the position for each grant and outlines how funding will be allocated and utilised within the current financial year.

7. RECOMMENDATIONS

That Governors:

- i) note the current and forecast financial position as shown in Appendix 1.

- ii) note the explanations for significant variances provided in Appendix 2.
- iii) approve the virements in Appendix 3.
- iv) approve the proposals set out in Appendix 4.
- v) note the current position relating to government grant funding and the plan for ensuring the funding is utilised during the financial year as shown in Appendix 5 and 6.

Appendix 1

Budget Monitoring Summary Report (Budget Share)

Download a copy of the current summary financial report from the finance system that clearly shows the agreed information as detailed in section 3 of report to Governors

Appendix 2

Explanation for forecasted under / overspendings shown in Appendix 1

Detailed below are explanations for all significant forecasted variances for the financial year:-

CFR Heading	Reason for under / overspend	Budget	Forecast	Under / Overspend

Appendix 3

Proposed Virements

LCC do not recommend the processing of virements to simply move budget from an area that is forecast to underspend to an area that is forecast to overspend. The forecasting process identifies the under / overspends and the reasons. Virements are recommended when decisions are made to utilise previously unallocated contingency budgets.

The Governors are asked to consider the following virements

From (CFR Heading)	To (CFR Heading)	Reason for virement	£

The virements set out above do not increase or decrease the school's planned expenditure. Proposals for increasing / decreasing the school's overall expenditure are set out in Appendix 4.

Appendix 4

Proposals for increasing / decreasing expenditure

The Governors are asked to consider the proposals set out below for increasing / decreasing expenditure. A brief explanation for each proposal is set out under the relevant expenditure heading.

CFR Heading	Reason for change	Current Forecast	Proposal	Increase / Decrease

These measures are considered prudent given the school's current financial circumstances. The proposals for increased expenditure are consistent with the priorities set out in the School's Development Plan.

Should the Governors agree to these proposals, the school's underspend at the end of the financial year is forecast to be £XX,XXX, or X% of the school's current budget share.

Appendix 5

Budget Monitoring Summary Report (Grants)

Download a copy of the current summary financial report from the finance system that clearly shows the forecasts funded by grants

Appendix 6

Government Grant Funding

The Governors are asked to note the current position regarding the school's Government Grant funding and the plans in place to ensure the grant allocations are utilised during the financial year:

Grant	Allocation	Current Spend	Current Under-spend	Forecast Spend	Plans to ensure grant is fully spent
Pupil Premium					
Pupil Premium – Early Years					
Pupil Premium – Service Children					
Pupil Premium – Looked After Children					
Pupil Premium – Post Looked After Children					
16-19 Bursary					
Vulnerable Bursary					
PE & Sport					
Universal Infant Free School Meals					
<i>Add additional grants</i>					

SECTION 15: Financial Planning

15.1 Introduction

In addition to the preparation and monitoring of the annual budget and the production of a forecast, within the Scheme for Financing Schools there is a mandatory requirement that all schools produce a MTFP.

The MTFP must be approved by Governors and submitted to the Schools Finance Team by 31st May each year.

The production of the MTFP enables schools to identify potential financial problems in future years so that action can be taken to avoid overspending. In periods of growth, it also enables schools to plan and make full and appropriate use of any additional funds available to the school in conjunction with the School Development Plan.

Although forward planning involves uncertainty, the benefits are significant. Schools are encouraged to prepare multiple scenarios (e.g. based on differing pupil number projections) to support informed long-term decision making.

Schools should use their chosen financial planning software or internal planning tools to develop the MTFP. The format may vary depending on the system used, but the core principles remain the same.

15.2 Pupil Numbers Forecasts

Accurate pupil number projections form the foundation of the MTFP.

Each year, the Performance Services Team issues schools with pupil number forecasts. Schools should also consider:

- historic admission trends
- known changes in local demographics
- feeder school movements or transition patterns (especially for secondary schools)

Schools are encouraged to model best-case, worst-case and central forecasts. Funding linked to pupil numbers should be calculated using the methodology built into the school's chosen planning tool.

15.3 Forecast of Other Formula Funding

Funding for the main school budget is separated into three blocks of funding: Schools Block, Early Years and High Needs.

- Schools Block – The planning tool must include all relevant formula factors as detailed below:

FORMULA FACTOR	NOTES
PUPIL LED FACTORS	
Basic Entitlement Age Weighted Pupil Unit (AWPU)	An amount per pupil included on the October census. There is a different amount per pupil based on the following: <ul style="list-style-type: none"> • Primary (Years R - 6) • Key Stage 3 (Years 7 - 9) • Key Stage 4 (Years 10 - 11)
Deprivation	An amount per pupil based on the following: <ul style="list-style-type: none"> • FSM - number of pupil eligible for a Free School Meal on the October census • FSM Ever 6 - number of pupils eligible in the last six years for a Free School Meal on the January census • IDACI Bands A to F - number of pupils on the October census within each Income Deprivation Affecting Children Index (IDACI) band
English as an Additional Language (EAL)	An amount per pupil with a first language other than English, who have been in an English school for less than 3 years as per the October census
Mobility Factor	Eligibility for mobility funding is the proportion of mobile pupils within the school above the threshold of the number on roll.
Prior Attainment	For Primary an amount per pupil not achieving a good level of development in Years 1 to 6. For Secondary an amount per pupil not reaching the expected standard in KS2 at reading, writing or maths.
OTHER FACTORS	
Lump Sum	A lump sum amount - the amount is the same for all schools within the same phase
Sparsity Factor	Funding for schools that meet the following two criteria: <ul style="list-style-type: none"> • located in areas where pupils would have to travel a significant distance to an alternative should the school close • they are a small school
Split-Sites	Funding to support schools that have unavoidable extra costs because the school operates on more than on site
Rates	Funding adjustment to ensure schools are funded based on their actual costs
Private Finance Initiative (PFI)	This factor is to support schools to meet PFI 'affordability' gap to schools which is paid back to the LA to meet contractual arrangements and unavoidable costs
Rent Factor	Where primary schools incur a significant additional cost for the rental of school grounds, buildings and suitable playing fields which are greater than 1% of the budget, schools will be reimbursed for these costs.
Exceptional Circumstances	Only used with prior agreement with DfE
Minimum Per Pupil Funding	Additional funding to meet minimum per pupil funding level, as part of the National Funding Formula
Minimum Funding Guarantee	Funding to offer protection to schools from excessive year on year changes and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through.

- Early Years - If the school has a nursery class, funding for Early Years will be allocated to this block.
- High Needs – If the school has pupils who have an Education, Health and Care Plan (EHCP) funding will be allocated to this block. This funding is linked to individual pupils and therefore the plan needs to take account of start / leaver dates when considering funding for future years.

15.4 Grant Funding

As well as the main school budget schools will also receive additional funding in the form of Government Grants. This funding must be planned and monitored separately.

The main grants are:

- Pupil Premium (split into a number of different elements)
- PE & Sport Funding
- Universal Infant Free School Meals

These grants are ring-fenced (including each separate element of Pupil Premium) and schools have to spend the grant in accordance with the grant conditions published by the DfE. Each grant must have its own cost centre so that funding, expenditure and income can be allocated and reported on accordingly.

Schools should plan how they intend to utilise this funding in exactly the same detail as how they plan to spend their budget share funding.

Some grants do not allow underspends to be carried forward and some require overspends to be charged back to budget share. It is therefore essential that schools manage these funds carefully to ensure they are fully utilised for the benefit of their pupils.

15.5 Staffing Costs

The MTFP must include:

- a) all posts included in the staffing establishment
- b) expected pay awards
- c) increments
- d) planned changes in staffing
- e) associated on-costs (NI, pension, allowances)

Staffing should be planned on a post-by-post or individual basis, using the school's finance software or internal tools. This allows monthly payroll reports to be reconciled accurately and variances to be identified early.

15.6 Other Expenditure / Income

Expenditure / Income budgets should be set at account code level. Schools should consider:

- a) inflationary increases
- b) changes driven by pupil numbers
- c) curriculum priorities
- d) planned maintenance or investment
- e) contractual commitments

The Schools Finance Team will inform schools of the inflationary increases for utilities and pay awards. Schools should consider other inflationary increases based on their local knowledge and historic changes.

15.7 Under / Overspending

Once the MTFP is completed, the summary section of the plan will identify projected:

- annual under / overspends
- future-year pressures
- estimated carry-forward levels
- affordability of staffing structures

The Governing Body should receive the MTFP along with recommended actions to ensure:

- the school remains financially sustainable
- overspending risks are mitigated early
- contingency levels remain appropriate